

AGREEMENT BETWEEN THE GOVERNMENT OF THE UNITED STATES OF
AMERICA AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF
AFGHANISTAN REGARDING THE CONSOLIDATION AND RESCHEDULING OF
DEBTS OWED TO, GUARANTEED BY, OR INSURED BY THE UNITED STATES
GOVERNMENT OR ITS AGENCIES
(the "Agreement")

The Government of the United States of America (the "United States") and the Government of the Islamic Republic of Afghanistan ("Afghanistan") agree as follows:

ARTICLE I

Application of the Agreement

1. In accordance with the recommendations contained in the Agreed Minutes on the Consolidation of Debt of the Islamic Republic of Afghanistan, signed in Paris on July 19, 2006 (hereinafter referred to as the "Minutes") by representatives of Germany, the Russian Federation, and the United States (hereinafter referred to as "Participating Creditor Countries") and by the representative of Afghanistan, and in accordance with the applicable domestic laws of the United States and Afghanistan, the United States and Afghanistan agree herein to consolidate and reschedule (and, upon the fulfillment of certain conditions as set forth in Article V, to cancel) certain Afghan payments arising from debts which are owed to, guaranteed by, or insured by the United States Government or its Agencies.
2. The amounts shown in the attached **Annex B** are best estimates of the amounts to be rescheduled and that are owed by Afghanistan to the United States Agency for International Development ("USAID") with respect to direct loans and the Commodity Credit Corporation ("CCC") with respect to United States Department of Agriculture ("USDA") PL-480 credits issued prior to June 20, 1999. In the event that the parties discover an error or omission in the figures shown in **Annex B** after the date of this Agreement, the parties shall negotiate with one another in good faith to amend the Annex in accord with Article IV, paragraph 8 so that all such direct loans and PL-480 credits incurred prior to June 20, 1999 are included in this Agreement.
3. This Agreement will be further implemented by a separate agreement (the "Implementing Agreement") between the CCC and Afghanistan concerning USDA PL-480 credits.

Article II

Definitions

1. "Additional Interest" means interest accruing at the rates set forth in this Agreement or the Implementing Agreement on due, but unpaid, installments of Consolidated ODA Debt, and Consolidated ODA Arrears and Interest beginning on the respective due dates for such installments, as established by this Agreement or the Implementing Agreement, and continuing to accrue until such amounts are repaid in full.
2. "Afghanistan Public Sector" means all national, provincial, and municipal agencies, tassadies (state owned enterprises) or other instrumentalities of Afghanistan.
3. "Agencies" mean USDA (including the CCC) and USAID.

4. "Capitalized Interest" means one hundred (100) percent of Interest accruing from April 1, 2006 to March 31, 2009, inclusive, on the outstanding balances of Consolidated ODA Debt and Consolidated ODA Arrears in accordance with the terms of this Agreement, at the rates specified herein.

5. "Consolidation Period" means the period from: (i) April 1, 2006 to March 31, 2007, inclusive, if the conditions of Article IV, paragraph 2(a) are satisfied; (ii) April 1, 2006 to March 31, 2008, inclusive, if the conditions set forth in Article IV, paragraph 2(b) of this Agreement are satisfied; and (iii) April 1, 2006 to March 31, 2009, inclusive, if the conditions set forth in Article IV, paragraph 2(c) of this Agreement are satisfied.

6. "Consolidated ODA Arrears" mean 100 percent of the amounts of unpaid principal and interest, including Late Interest, due as of March 31, 2006, inclusive, under the Contracts specified in paragraph 8 of this Article.

7. "Consolidated ODA Debt" means one hundred (100) percent of the amounts of principal and interest, excluding Late Interest, falling due during the Consolidation Period under the Contracts specified in paragraph 8 of this Article.

8. "Contracts" mean those agreements or other financial arrangements, including USAID direct loans or USDA PL-480 credits, which were extended to the Government of Afghanistan or to the Afghanistan Public Sector or covered by a guarantee of Afghanistan or the Afghanistan Public Sector prior to June 20, 1999. If either party should identify an additional agreement or financial arrangement concerning an amount owed by the Government of Afghanistan or Afghanistan Public Sector to the United States prior to June 20, 1999, not listed in Annex A, the parties agree to amend this Agreement, to ensure that the amount is included in and rescheduled pursuant to this Agreement, subject to domestic legal requirements.

Debt service due as a result of debts described above and effected through special payment mechanisms or other external accounts is included in the present Agreement.

A table listing all Contracts is attached hereto as **Annex A**.

9. "Interest" means interest payable on Consolidated ODA Debt, Consolidated ODA Arrears, Capitalized Interest, and Late Interest in accordance with the terms of this Agreement. Interest on Consolidated ODA Arrears and Late Interest shall accrue at the rates set forth in this Agreement beginning on April 1, 2006. Interest on Consolidated ODA Debt and Capitalized Interest shall accrue beginning on the respective due dates for such installments, as established by this Agreement.

10. "Late Interest" means interest charges payable on due, but unpaid amounts of principal and interest that have accrued up to March 31, 2006, inclusive, on amounts of

Consolidated ODA Arrears in accordance with the terms of the Contracts, notwithstanding the payment of such principal and interest subsequent to the original due dates.

ARTICLE III

Terms and Conditions of Payment

1. Afghanistan agrees to repay the Consolidated ODA Debt and Consolidated ODA Arrears in United States dollars.

(a) The Consolidated ODA Debt and Consolidated ODA Arrears shall be repaid in accordance with the following terms and conditions:

0.53% on April 1, 2024;	0.56% on October 1, 2024;
0.59% on April 1, 2025;	0.62% on October 1, 2025;
0.65% on April 1, 2026;	0.68% on October 1, 2026;
0.71% on April 1, 2027;	0.75% on October 1, 2027;
0.79% on April 1, 2028;	0.83% on October 1, 2028;
0.87% on April 1, 2029;	0.91% on October 1, 2029;
0.96% on April 1, 2030;	1.00% on October 1, 2030;
1.05% on April 1, 2031;	1.11% on October 1, 2031;
1.16% on April 1, 2032;	1.22% on October 1, 2032;
1.28% on April 1, 2033;	1.34% on October 1, 2033;
1.41% on April 1, 2034;	1.48% on October 1, 2034;
1.56% on April 1, 2035;	1.63% on October 1, 2035;
1.72% on April 1, 2036;	1.80% on October 1, 2036;
1.89% on April 1, 2037;	1.99% on October 1, 2037;
2.08% on April 1, 2038;	2.19% on October 1, 2038;
2.30% on April 1, 2039;	2.41% on October 1, 2039;
2.53% on April 1, 2040;	2.66% on October 1, 2040;
2.79% on April 1, 2041;	2.93% on October 1, 2041;
3.08% on April 1, 2042;	3.23% on October 1, 2042;
3.40% on April 1, 2043;	3.57% on October 1, 2043;
3.74% on April 1, 2044;	3.93% on October 1, 2044;
4.13% on April 1, 2045;	4.33% on October 1, 2045;
4.55% on April 1, 2046;	4.78% on October 1, 2046;
5.02% on April 1, 2047;	5.26% on October 1, 2047.

Afghanistan agrees and acknowledges that it will apply the foregoing percentages to the respective USAID portion and the USDA PL-480 credit portion of the Consolidated ODA Debt and Consolidated ODA Arrears as set forth in **Annex B1**, **Annex B2**, or **Annex B3**, as the case may be, and pay such amounts directly to the Agencies.

(b) The rates of interest on Consolidated ODA Debt and Consolidated ODA Arrears shall be as follows for the United States and its Agencies:

(i) For that portion of the Consolidated ODA Debt and Consolidated ODA Arrears consisting of USDA PL-480 credits, the rate of interest shall be 2.87 percent.

(ii) For that portion of the Consolidated ODA Debt and Consolidated ODA Arrears consisting of USAID Direct Loans, the rate of interest shall be 3.00 percent.

A table summarizing the amount of Consolidated ODA Arrears and Consolidated ODA Debt owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2007, inclusive, is attached hereto as **Annex B1**. A table summarizing the amount of Consolidated ODA Arrears and Consolidated ODA Debt owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2008, inclusive, is attached hereto as **Annex B2**. A table summarizing the amount of Consolidated ODA Arrears and Consolidated ODA Debt owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2009, inclusive, is attached hereto as **Annex B3**.

2. Afghanistan agrees to repay Capitalized Interest in United States dollars in accordance with the following terms and conditions:

(a) Capitalized Interest shall be capitalized as installments become due and repaid in 12 equal and successive semi-annual installments, the first one to be made on October 1, 2011 and the last one on April 1, 2017.

(b) The rates of Interest on Capitalized Interest for the United States and its Agencies will be the same as the rates of interest stated in Article III, paragraphs 1(b)(i) and 1(b)(ii).

(c) The Interest on Capitalized Interest shall be deferred and repaid in 12 equal and successive semi-annual installments, the first one to be made on October 1, 2011 and the last one on April 1, 2017.

It is therefore understood that Afghanistan will have no obligation to make payments to the United States on Consolidated ODA Debt, Consolidated ODA Arrears, Interest and Capitalized Interest during the Consolidation Period.

A table summarizing the amount of Capitalized Interest owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2007, inclusive, is attached hereto as **Annex C1**. A table summarizing the amount of Capitalized Interest owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2008, inclusive, is attached hereto as **Annex C2**. A table summarizing the amount of Capitalized Interest owed if the Consolidation Period covers the period from April 1, 2006 to March 31, 2009, inclusive, is attached hereto as **Annex C3**.

3. Interest with respect to the Consolidated ODA Debt and Consolidated ODA Arrears (not including Capitalized Interest or Interest on Capitalized Interest, payment of which shall be made as specified in Section 2 above) shall be paid semi-annually on April 1 and October 1 of each year, commencing on

the first such day to occur following the Consolidation Period.

4. All terms of the Contracts remain in full force and effect, except as they may be modified by this Agreement.

ARTICLE IV

General Provisions

1. Afghanistan agrees to grant the United States and its Agencies treatment on terms no less favorable than those which it has accorded, or may accord, to any other creditor country or its agencies for the consolidation of debts of comparable maturities.

2. The provisions of Article III will apply as follows:

a) from April 1, 2006 to March 31, 2007, provided that Afghanistan continues to have an arrangement under the Poverty Reduction and Growth Facility (PRGF) with the International Monetary Fund (IMF);

b) from April 1, 2006 to March 31, 2008, provided that the Executive Board of the IMF has approved before June 30, 2007 the 2nd review of the arrangement under the PRGF with Afghanistan;

c) from April 1, 2006 to March 31, 2009, provided that the Executive Board of the IMF has approved before June 30, 2008 the 4th review of the arrangement under the PRGF with Afghanistan.

3. Afghanistan will seek to secure from external creditors, including banks and suppliers, rescheduling or refinancing arrangements on terms comparable to those set forth in the Minutes for credits of comparable maturities, while trying to avoid inequity between different categories of creditors, all as described in the Minutes.

4. Afghanistan agrees to pay all Consolidated ODA Debt, Consolidated ODA Arrears, Interest and Capitalized Interest, if any, to the United States and its Agencies, in United States dollars, without any deductions for taxes, fees or other public charges or any other costs accruing inside or outside Afghanistan.

5. Afghanistan guarantees the immediate and unrestricted transfer of the foreign exchange counterpart of all amounts paid in local currency by private debtors in Afghanistan for the servicing of their foreign debts owed to or guaranteed by the Participating Creditor Countries or their appropriate institutions, for which the corresponding payments in local currency have been or will be deposited in the Central Bank.

6. Afghanistan represents and warrants that it has taken all action necessary or advisable under its laws and

regulations to authorize the execution, delivery and performance of this Agreement and that this Agreement constitutes a valid and binding obligation of Afghanistan, enforceable against Afghanistan in accordance with its terms and for the performance of which the full faith and credit of Afghanistan is pledged.

7. With respect to amounts owed to USAID under this Agreement, Afghanistan agrees to the additional terms and conditions set forth in **Annex D**.

8. This Agreement may be amended or modified by mutual written consent of the United States and Afghanistan.

Article V

Subsequent Debt Reduction

If Afghanistan maintains satisfactory financial relations with the Participating Creditor Countries, the Executive Boards of the IMF and the World Bank decide that Afghanistan has reached its decision point under the Enhanced Heavily Indebted Poor Countries (HIPC) Initiative, and the United States determines that its requirements for debt relief for Afghanistan have been met, the United States agrees to cancel one hundred percent (100%) of any amounts falling due after decision point and during the Consolidation Period on the Afghan debts treated by the Agreement. If Afghanistan maintains satisfactory financial relations with the Participating Creditor Countries, the Executive Boards of the IMF and the World Bank decide that Afghanistan has reached its completion point under the Enhanced HIPC Initiative, and the United States determines that its requirements for debt relief for Afghanistan have been met, the United States similarly agrees to cancel one hundred percent (100%) of the amounts outstanding on Afghan debts covered by this Agreement.

ARTICLE VI

Suspension or Termination

The United States may suspend or terminate this Agreement by giving sixty (60) days written notice to Afghanistan. In particular, the United States may terminate all or part of this Agreement if the Participating Creditor Countries determine that Afghanistan has not met its obligations under the Minutes, including that of comparable treatment. If the United States terminates all or part of this Agreement, all debts rescheduled under this Agreement shall be due and payable immediately according to terms of the original Contracts, following notification to Afghanistan of termination of the Agreement.

ARTICLE VII

Entry into Force

This Agreement shall enter into force following signature of the Agreement and receipt by Afghanistan of written notice from the United States that all necessary domestic legal requirements for entry into force of the Agreement have been fulfilled.

Done at Washington, in duplicate, this 26th day of September, 2006.

FOR THE GOVERNMENT OF
THE UNITED STATES OF
AMERICA:

FOR THE GOVERNMENT OF
THE ISLAMIC
REPUBLIC OF AFGHANISTAN:

Robert M. Kimmitt

[Handwritten signature]

Annex A
Contracts Subject to Restructuring

AID

306-B-002
306-B-003
306-D-015
306-G-008
306-H-004
306-H-005
306-H-006
306-H-006A
306-H-007
306-H-009
306-H-010
306-H-012
306-H-013
306-H-013A
306-H-014
306-H-016
306-H-017
306-T-019
306-W-018
306-W-018A

USDA

68AF1
69AF1
71AF1
72AF1
73AF1
76AF1
78AF1

Annex B1
Summary of Consolidated ODA Arrears and
Consolidated ODA Debt
(thousands of U.S. dollars)

PL-480	\$21,347
AID DL	\$69,808
Total	\$91,155

Annex B2
Summary of Consolidated ODA Arrears and
Consolidated ODA Debt
(thousands of U.S. dollars)

PL-480	\$22,338
AID DL	\$72,756
Total	\$95,094

Annex B3
Summary of Consolidated ODA Arrears and
Consolidated ODA Debt
(thousands of U.S. dollars)

PL-480	\$23,402
AID DL	\$75,642
Total	\$99,044

Annex C1
Summary of Capitalized Interest
(thousands of U.S. dollars)

PL-480	\$ 602
AID DL	\$1881
Total	\$2483

Annex C2
Summary of Capitalized Interest
(thousands of U.S. dollars)

PL-480	\$1212
AID DL	\$3752
Total	\$4969

Annex C3
Summary of Capitalized Interest
(thousands of U.S. dollars)

PL-480	\$1819
AID DL	\$5633
Total	\$7452

Annex D
Additional Terms and Conditions with Respect
to Amounts Owing to USAID

A. TERMS AND CONDITIONS OF PAYMENTS

1. Payments. Afghanistan agrees to pay amounts owing to USAID in accordance with the terms and conditions of this Agreement, including this Annex.

2. Funds and Place of Payment. All payments made to USAID by Afghanistan under this Agreement shall be made in United States dollars via electronic funds transfer to the Federal Reserve Bank, 33 Liberty Street, New York, New York 10045. Payment instructions to the Federal Reserve Bank should read:

BNF-/AC-72000001 OBI=(Pay US Dollars
Principal Interest
Loan Number)

3. Application of Payments. To the extent a payment by Afghanistan is insufficient to satisfy the aggregate amount of principal and interest due, such payment shall be applied first to interest then due, with the remainder, if any, applied to the principal amount of the installment.

4. Prepayments. Any prepayments made pursuant to Article III that may be applied to installments of principal shall be applied in the inverse order of their maturity if the rescheduled amounts relate to direct loans.

5. Payments due on non-business days. In the event that a payment is due on a day when the Federal Reserve Bank of New York is closed for business, the payment shall be made on the next succeeding business day. This extension of time shall be included in computing the interest on such payment and excluded from the following interest period, if any.

B. INTEREST

1. Computation of Interest. Interest shall be computed on the basis of the outstanding balance of the loan times the interest rate (annual interest) and dividing by the number of payments per year.

C. GENERAL PROVISIONS

1. Adjustments. Following the execution of this Agreement, USAID shall inform Afghanistan of the actual amounts to be rescheduled hereunder. The parties hereto agree to make any necessary adjustments to the amounts being rescheduled under this Agreement and such amounts may be further adjusted, from time to time, as the parties may mutually agree.

2. Future consolidations. If the terms of this Agreement provide for the Consolidation Period to be extended beyond

the initial Consolidation Period, and provided conditions contained in the Agreement are met, USAID will manage each extended period as a separate loan and identify it with a separate loan number and interest rate. Following notification that the conditions have been met, USAID will inform Afghanistan of the actual amounts to be rescheduled under that consolidation, provide a repayment schedule of those amounts, and notify Afghanistan of the applicable interest rate(s).

3. Communications. All communications between Afghanistan and USAID shall be in writing in the English language (or accompanied by an accurate translation). All communications to Afghanistan shall be addressed as Afghanistan may designate from time to time in writing to USAID. All communications to USAID shall be addressed as follows:

Chief
Office of Financial Management, Loan Management Division
(FM/LM)
USAID
1300 Pennsylvania Avenue, N.W.
Room 2.10.B56
Washington, D.C. 20523
Fax: (202) 216-3541

USAID may change this designated address upon written notice to Afghanistan.

4. Authorized Representatives. Afghanistan shall designate in writing duly authorized representatives permitted to perform any and all actions required under this Agreement and may change its designated representatives by written notice to USAID. USAID may accept the signature of such representatives on any instrument as conclusive evidence that any such action effected by such instrument is authorized by Afghanistan until receipt of written notice of revocation of their authority.

5. a. Event of Default. The failure by Afghanistan to make full payment of any installment when due under this Agreement shall be deemed to be an event of default. Upon the occurrence of an event of default, USAID, at its option, may declare all or any part of unpaid principal and all accrued interest thereon to be due and payable immediately. If Afghanistan pays the defaulted installment, including any Additional Interest which has accrued thereon, within sixty (60) days of the any such declaration, the declaration of an Event of Default will be deemed to have been rescinded.

b. Waivers of Default. No delay in exercising, or omission to exercise, any right accruing to USAID under this Agreement shall be construed as an acquiescence or waiver by USAID of any such right.

6. Notification and Confirmation. USAID will, to the maximum extent practicable, notify Afghanistan of payments due at least fifteen (15) days prior to the due date of each

payment. Failure to provide such notice, however, does not excuse failure to make payment when due.

7. Governing Law. The USAID portion of this Agreement will be governed by and construed in accordance with the laws of the District of Columbia, United States of America.

8. Expenses. Afghanistan shall reimburse USAID, upon demand, for all reasonable, necessary and documented expenses (including legal fees) incurred by or charged to USAID in connection with or arising out of USAID's successful attempts to enforce this Agreement.



United States Department of State

Washington, D.C. 20520

March 16, 2007

Dear Mr. Ambassador:

I refer to the Agreement Between the Government of the United States of America and the Government of the Islamic Republic of Afghanistan Regarding the Consolidation and Rescheduling of Debts Owed To, Guaranteed By, or Insured By the United States Government or its Agencies. The Agreement was signed in Washington on September 26, 2006.

I am pleased to notify you that all necessary U.S. domestic legal requirements for entry into force of this Agreement have been fulfilled. In accordance with the terms set forth in Article VII of the Agreement, you may consider the Agreement as having entered into force as of the date of this letter.

Sincerely,

A handwritten signature in black ink, appearing to read "Andrew B. Haviland".

Andrew B. Haviland
Acting Director
Office of Monetary Affairs

His Excellency

Said Tayeb Jawad

Embassy of the Islamic Republic of Afghanistan
Washington, D.C.